

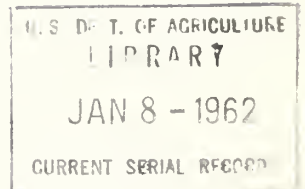
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Prospects for Foreign Trade in

TOBACCO



Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
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PROSPECTS FOR FOREIGN TRADE IN TOBACCO

SUMMARY

Gains in world consumption of tobacco, particularly cigarettes, are assisting the United States and many other tobacco-exporting countries to hold or raise the level of their trade. The past two years -- 1960 and 1961 -- saw a recovery in world tobacco exports to new highs after drops for several years in a row. In 1960, Free World tobacco exports totaled 1,521 million pounds, and according to preliminary indications, about that much moved from tobacco-exporting countries in 1961, despite efforts of some large tobacco-consuming countries to become more nearly self-sufficient.

The steady increase in world cigarette output is the most important favorable factor affecting the level of world tobacco exports. In 1960, world cigarette output totaled 2,227 billion pieces -- up 5.2 percent from the previous year. A larger than expected rise in cigarette output in Western Europe and South America, combined with the expected increase in Oceania and Asia, caused the 1960 gain to top that of the previous year. Early reports indicate that further sizable increases in cigarette consumption were recorded in most countries in 1961.

Most countries in Western Europe -- the world's largest tobacco-importing area -- had gains in cigarette consumption in 1961. At the same time, domestic tobacco production in 1961 was smaller in several European countries that normally depend on the locally grown leaf for a high proportion of their tobacco-manufacturing requirements. In both Italy and France, blue mold affected the quality and volume of 1961 production. Italy's crop was particularly hard hit by blue mold, and totaled only about 40 percent of what normally would have been expected from the planted area. The French crop, affected less seriously than the Italian, was nevertheless about 30 percent below the average crop grown in 1955-59. The smaller crops in these two countries are likely to result in (1) larger imports from abroad to rebuilt depleted stocks, (2) smaller availabilities for export from Italy to other Common Market members, (3) possible discouragement among growers, with hesitancy to resume normal plantings next year.

It is likely that U. S. competitors in international tobacco trade will be the major beneficiaries of the 1961 shortfall in the tobacco crops of Western Europe. The United States, with by far the largest stocks of leaf tobacco of any country, however, is in a favorable position to meet any larger demands in Western Europe, and so it is likely too, in view of increasing world tobacco consumption, that U. S. exports in fiscal 1962, will be near those of fiscal 1961, when 504 million pounds moved abroad. U. S. exports in calendar 1961 also are estimated to have approached the 496 million pounds exported in 1960.

The United States, the world's largest exporter of leaf tobacco, is also a very large importer of both cigarette and cigar leaf. Total U. S. imports for consumption reached a record 160 million pounds in 1960 -- 57 percent larger than the 1950-54 average. A further increase was recorded in 1961. The United States is now the third-ranking tobacco-importing country in the world. Foreign growers of both cigarette and cigar leaf, mainly scrap and filler tobaccos, are moving more leaf to the U. S. market, where tariffs on leaf tobacco are among the lowest in the world.

The U. S. Government, in cooperation with the U. S. tobacco export industry, is attempting to encourage sales of U. S. tobaccos to countries that otherwise could not purchase in the United States. Until recently, Title I of Public Law 480 was the most important program in volume of sales. Recently, however, the barter program has become much more significant than formerly.

Market development work is continuing in a sizable number of countries. These projects are of various sorts, including (1) extensive advertising, by means of magazines, posters, radio, TV, etc., (2) marketing surveys, and (3) visits of foreign manufacturing and distribution experts to the United States to observe U. S. methods.

OUTLOOK

The U. S. share in Free World trade has been fairly steady at about one-third of the total for the past several years, although well below the 38-percent share held in 1950-54. Several factors,

however, militate against the possibility that U. S. tobacco exports will regain their earlier share of world trade.

One of these is the stepped-up production of tobacco in countries competing with the United States for world markets. World tobacco production in 1961 totaled about 8.6 billion pounds -- about the same as in 1960, but 11 percent above the 1950-54 average of 7.8 billion. Significant increases in recent years were recorded for countries that export cigarette leaf -- the kind most in demand in world trade. The Federation of Rhodesia and Nyasaland, Canada, and India -- major producers and exporters of flue-cured leaf -- all had record or near-record crops in 1961.

Foreign production during the past decade has been encouraged by the relatively high prices for U. S. cigarette leaf. For low and medium grades, especially, U. S. prices are considerably higher than for similar quality leaf grown in the Rhodesian Federation -- the world's second largest exporter of flue-cured tobacco. Canada exports flue-cured tobaccos at prices slightly below those for U. S. leaf, and Indian flue-cured sells well below U. S. prices.

Mixing regulations give wide advantage to domestic tobacco producers in several countries. In Australia, an important market for U. S. tobacco, U. S. leaf is gradually losing ground to Australian-grown tobacco. Australia had a record crop of tobacco in 1961 -- 30 million pounds, an increase of 57 percent from 1960. Growers have requested the government to raise still further the percentage of domestic leaf (now fixed at 43 percent for cigarettes and 40 percent for smoking tobacco) that manufacturers must use for the year beginning July 1, 1962, in order to be eligible for duty concessions on imported leaf to be blended with the locally grown tobacco. Mixing regulations also favor the use of domestic leaf in West Germany and New Zealand.

British Commonwealth producing countries in recent years have been exporting ever larger quantities of leaf to Britain -- the world's largest tobacco-importing country. Principal factors that have encouraged this growing trade include: (1) a guaranteed purchase arrangement between U.K. tobacco manufacturers and Rhodesian growers and (2) a preferential tariff on Commonwealth tobaccos. The current level of guaranteed purchases in Rhodesia amounts to 95-100 million pounds annually. The British tariff on the principal category of tobacco imports from the United States is equivalent to \$9.03 per pound, plus a surcharge of 10 percent. Thus the effective tariff on the bulk of imports from the United States is \$9.93 per pound, compared with a tariff of \$9.69 on Commonwealth tobaccos. The preference now amounts to 24 cents per pound, compared with the 21-1/2 cent differential existing prior to July 1961.

If the United Kingdom should join the European Common Market and gain preferential access to the market countries for its Commonwealth members, U. S. tobacco exporters would be faced with greater competition in the market than previously anticipated. Rhodesian and other Commonwealth tobaccos, already lower in cost than U. S. leaf, would have the additional advantage of entering the West German, Dutch, and Belgian markets on a preferential tariff basis. But at the same time, the tariff on U. S. and other external tobaccos, would be assessed on an ad valorem basis -- considerably higher than the existing specific rates.

The proposed eventual European Common Market tariff rates on external tobaccos of 30 percent ad valorem, with a minimum of 13.2 cents and a maximum of 19.1 cents per pound, have been recently amended. For tobaccos valued at less than \$1.27 per pound, those rates remain in the announced schedule. But for tobaccos valued at \$1.27 or more per pound the proposed duty is 15 percent ad valorem, with a specific maximum tariff of 31.8 cents per pound.

At the same time, the internal tariff, already reduced 20 percent below the present external rates, will be gradually reduced to zero, thus providing a big advantage to leaf moving from one market country to another. Greece, a large tobacco exporter, recently admitted to the Common Market as associate member, and Italy, already a member, stand to gain the most from this preferential internal tariff.

WORLD PRODUCTION

The world harvest of tobacco in 1961 was about 8.6 billion pounds -- about the same as in the previous year.

Record or near-record crops were grown in the Federation of Rhodesia and Nyasaland, Canada, India, Brazil, and Australia.

Production in the United States, at 2,008 million pounds (November estimate) was 3 percent larger in 1961 than in 1960, but still well below the large crops of 1954-56, prior to the sharp acreage cut made in 1957 to bring supplies more in line with domestic and foreign demand. The 1961 crop of U. S. flue-cured, the principal export type, totaled some 1,253 million pounds -- about the same as in 1960.

Most competitors also produced large crops of flue-cured in 1961. In the Federation of Rhodesia and Nyasaland the crop amounted to 237 million pounds, compared with 222 million in 1960 and the 1950-54 average of 117 million. Flue-cured production in Canada, at 196 million pounds, was only a little below the record 206 million grown in 1960. The fourth largest flue-cured tobacco producer in the Free World -- India -- grew 155 million pounds of flue-cured in 1961, only slightly below the record crop of 1960.

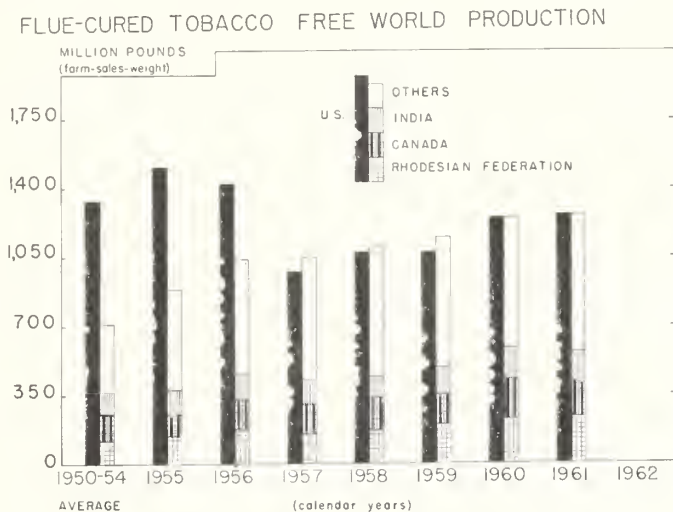


TABLE 1.—World production of tobacco by kind, average 1950-54, annual 1957-61¹

Year	Flue-cured		Burley		Other light air-cured		Grand total
	Foreign	U. S.	Foreign	U. S.	Foreign	U. S.	
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	
Average 1950-54	1,209	1,332	74	600	62	41	
Annual:							
1957	1,735	975	111	488	69	38	
1958	1,799	1,081	120	466	65	31	
1959	1,891	1,081	125	502	71	31	
1960	2,063	1,251	121	485	64	33	
1961 ²	2,082	1,253	109	537	49	33	
	Fire-cured		Other		Total		Grand total
	Foreign	U. S.	Foreign	U. S.	Foreign	U. S.	
Average 1950-54	86	57	4,196	154	5,627	2,184	7,811
Annual:							
1957	88	50	4,986	117	6,989	1,668	8,657
1958	92	43	4,450	115	6,526	1,736	8,262
1959	85	53	4,490	129	6,662	1,796	8,458
1960	75	45	4,392	129	6,715	1,943	8,658
1961 ²	54	55	4,305	130	6,599	2,008	8,607

¹Includes Soviet Bloc and Mainland China. ²Preliminary.

Oriental tobacco production was at a high level again in 1961, with a major increase in Greece, which produced 169 million pounds, compared with 143 million in 1960. Soviet Bloc countries generally grew more oriental leaf in 1961 than in 1960. These gains came close to offsetting the severe losses from blue mold, a fungus disease, in Italy and Yugoslavia. In Italy, however, all kinds of tobacco were affected, and the total crop, according to early estimates, was not more than 60 million pounds, compared with a 1955-59 average of 170 million.

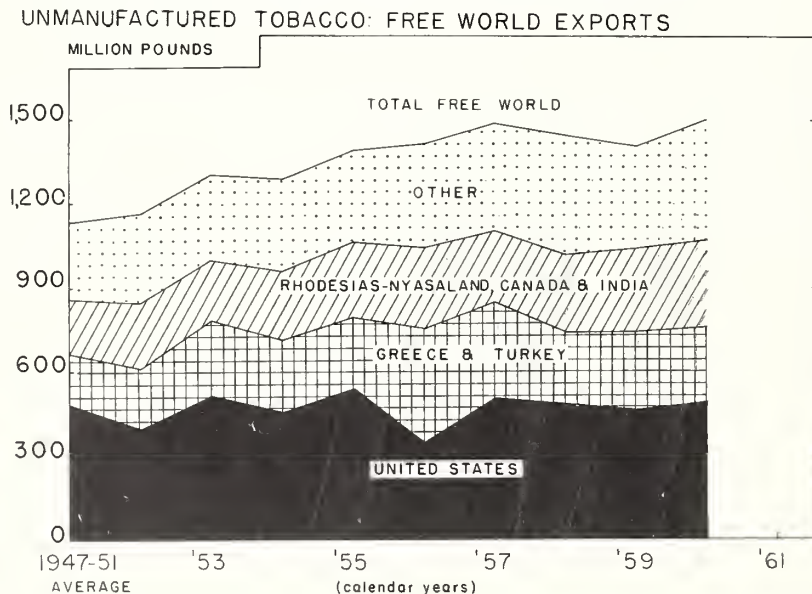
Blue mold severely affected the 1961 crop also in several other important European tobacco-producing countries. The French crop, mainly dark air-cured tobacco, totaled only 82 million pounds, compared with an average of 120 million in 1955-59. In the absence of blue mold, the Greek 1961 tobacco harvest would have been about 10 percent larger than it actually was. The Greek Government has announced that growers will be permitted to plant larger acreages in 1962, as production losses, combined with increased export sales and larger domestic consumption, have reduced stocks to an undesirably low level.

In 1961, the U. S. burley crop, at 537 million pounds (November estimate), was 11 percent larger than in 1960. Production of burley abroad (particularly in Italy) was somewhat smaller than in 1960.

WORLD TRADE

It is likely that Free World exports of leaf tobacco totaled about 1,500 million pounds in 1961 -- near the record 1,521 million shipped from exporting countries in 1960. U. S. exports in 1961 approached the 496 million-pound level of 1960, and the U. S. share of the world total in 1961 was approximately the same as in 1960 -- one-third.

Tobacco exports from Communist areas move almost exclusively to other countries within the Soviet Bloc and do not enter the Free World trade to any appreciable extent.



Tobacco-importing countries are attempting to direct their purchasing activities toward producing areas with which they have close political and economic ties. This trend already has sharply reduced the U. S. share of the tobacco trade in a number of important Western European markets. Rising consumption of tobacco, especially cigarettes, has enabled the United States to hold its own on an absolute basis in both 1960 and 1961. It is likely, however, that U. S. tobacco exports as a percentage of total Free World trade will gradually decline, after remaining fairly steady in both 1960 and 1961.

Table 2.—U. S. exports of unmanufactured tobacco by type, average 1950-54, annual 1955-60
Export weight

Type	Average 1950-54	1955	1956	1957	1958	1959	1960
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Flue-cured	391.2	456.1	420.4	417.7	398.0	373.7	408.7
Burley	28.9	31.7	29.2	20.5	28.8	31.9	33.6
Ky.-Tenn. fire-cured	23.1	21.4	24.2	22.0	19.7	17.8	18.8
Virginia fire-cured ¹	4.7	4.4	4.4	5.3	4.6	4.9	5.1
Maryland	7.4	8.4	12.1	13.5	12.1	14.4	11.4
Green River	1.9	1.8	1.3	1.6	1.2	.8	.8
One Sucker	1.8	1.7	2.4	2.6	.9	2.4	.3
Black Fat	4.0	5.3	4.6	4.5	4.9	4.9	4.5
Cigar leaf:							
Wrapper	3.5	4.2	3.9	4.5	4.7	4.0	3.3
Binder	2.7	1.7	3.1	3.9	2.0	3.2	1.9
Filler6	.2	.8	.1	.6	1.0	.5
Total cigar leaf	6.8	6.1	7.8	8.5	7.3	8.2	5.7
Perique1	.1	.1	.1	.1	.1	.1
Trimmings, stems, and scrap	3.8	3.3	3.9	4.7	4.2	6.5	7.0
Total	473.7	540.3	510.4	501.0	481.8	465.6	496.0

¹Includes Virginia sun-cured.

Competing countries which produce and export light cigarette leaf have made the biggest gains in world trade in recent years. Exports from the Federation of Rhodesia and Nyasaland in 1961, chiefly flue-cured, are believed to have exceeded the previous record quantity of 192 million pounds in 1960. Canadian tobacco exports (mainly flue-cured) also were up in 1961, and large quantities of oriental leaf moved from Greece and Turkey to world markets.

Flue-cured tobacco accounts for nearly one-half of the Free World's tobacco exports and for over 80 percent of the U. S. total. Although many countries are growing more and more flue-cured leaf, the principal exporters continue to be the United States, the Federation of Rhodesia and Nyasaland, India, and Canada.

In 1950-54, the U. S. share in Free World exports of flue-cured tobacco averaged 66 percent, and the volume averaged 391 million pounds (export weight). In 1960, when U. S. exports of flue-cured totaled 409 million pounds, the share represented 58 percent. If the U. S. share in 1960 had remained the same as in 1950-54, our flue-cured exports would have been 467 million pounds -- 14 percent larger than they actually were.

TABLE 3.—Free World exports of flue-cured tobacco, average 1950-54, annual 1955-60
Export weight

Country	Average 1950-54	1955	1956	1957	1958	1959	1960
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United States	391	456	420	418	398	374	409
Federation of Rhodesia and Nyasaland	94	106	139	114	117	149	165
India	56	83	84	66	90	67	65
Canada	29	46	29	36	28	38	36
Others ¹	20	23	40	30	36	28	30
Total	590	714	712	664	669	656	705
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
U. S. Share	66.3	63.9	59.0	63.0	59.5	57.0	58.0

¹Includes Brazil, Japan, Italy, Thailand, the Philippines, and several less important producers.

Rhodesian exports of flue-cured leaf moved from an average of 94 million pounds in 1950-54 to a record 165 million in 1960. Further gains occurred in 1961. Other important world exporters of flue-cured include India and Canada, with less significant quantities moving from Japan, Thailand, Italy, and Brazil. Flue-cured exports from most of these countries were larger in 1961 than in 1960. Rhodesia, Canada, and India are making strenuous efforts to take an ever larger share of world trade.

Mainland China's exports of flue-cured leaf are believed to have declined in recent years. They are now estimated at 70-80 million pounds annually, and move chiefly to the Soviet Union and other Bloc countries in Eastern Europe. A total of only 5-8 million pounds annually moves to Free World countries.

Oriental leaf is the second most important kind in world trade. Exports from Greece and Turkey -- the two most important producers -- totaled 261 million pounds in 1960. They were probably somewhat larger in 1961.

Western Europe -- including the Common Market countries and the "Outer Seven" -- is the major tobacco-importing area. It is likely that most of the increase expected in tobacco imports in Western Europe will be purchased from non-U.S. sources. (The probable effect of the Common Market tariff on U. S. export trade is discussed elsewhere in this report.)

The United States is importing more and more tobacco for use in blending with domestic leaf. In 1960, imports for consumption totaled 160 million pounds -- a record, and 57 percent more than the average for 1950-54. The value of U. S. imports for consumption totaled \$116 million in 1960. Further increases are indicated for 1961.

Greece and Turkey, combined, supply about 90 percent of U. S. cigarette leaf imports (almost wholly oriental). Big gains in U. S. cigarette production indicate larger imports of leaf for cigarette manufacture from abroad in the years ahead.

Cuba and the Philippines supply most of the cigar leaf imported into the United States, but new sources of supply are coming into the picture in view of unstable conditions in Cuba. An import market is developing in the United States for cigar leaf (mainly filler) grown in Brazil, Indonesia, and Colombia.

WORLD CONSUMPTION

In 1960, world cigarette output totaled 2,227 billion pieces -- up 5.2 percent from the previous year and 38.4 percent from the 1951-55 average. Factory-made cigarettes now account for about two-thirds of total world tobacco consumption and the share is expected to grow larger. Total world consumption of other tobacco products has remained relatively stable in recent years. Cigar and cigarillo consumption, however, is now showing a rising trend, particularly in the United States and northern Europe.

Cigarette output is increasing in virtually every country, as consumer incomes rise with the general expansion of business activity. All the countries in Western Europe manufactured more cigarettes in 1960 than in 1959. Gains were particularly significant in Switzerland, the Netherlands, West Germany, Spain, and Finland.

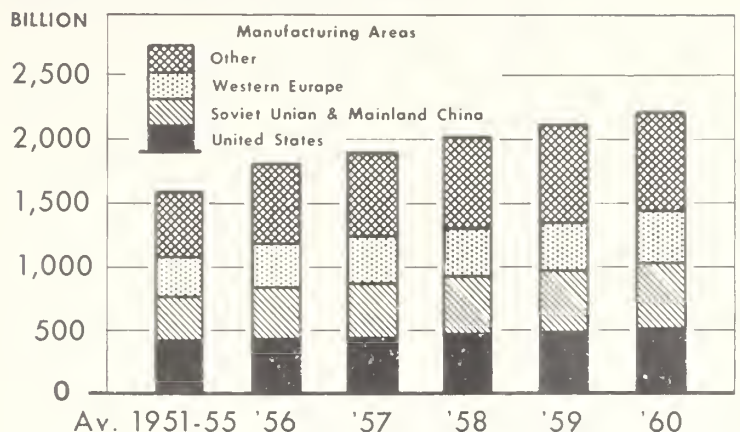
Cigarette output is gaining faster than the world average in more than half the countries of Asia.

Sharp increases in Venezuela, Surinam, and Chile, with moderate gains in Brazil and Uruguay, caused an unusually large increase in South America.

The United States led the world in cigarette output in 1960, producing 507 billion pieces -- 22.7 percent of the world total. In 1961, U. S. cigarette output rose to nearly 530 billion; increases in output and consumption of cigarettes occurred also in most other countries of the world and are likely to do so again in 1962.

Long-term future trends in world cigarette output will have an important effect on world trade in unmanufactured tobacco. Larger cigarette output in Western Europe will have a particularly important effect, since many of the countries in Europe grow little or no tobacco.

Rise in World Cigarette Output Increases Tobacco Requirements



On a per capita basis, leading cigarette-consuming countries include the United States, Canada, the United Kingdom, Australia, Ireland, Cuba, Switzerland, Poland, Finland, and Mexico.

TABLE 4.—Cigarettes: Estimated output in specified Free World countries, average 1951-55, annual 1956-60

Country	Average 1951-55	1956	1957	1958	1959	1960	Percent increase from 1951-55 to 1960
	Billion pieces	Billion pieces	Billion pieces	Billion pieces	Billion pieces	Billion pieces	Percent
United States	418.3	424.3	442.3	470.1	489.9	506.9	21
United Kingdom	112.2	116.6	118.6	118.8	120.2	123.5	10
Japan	87.7	99.2	101.1	102.0	110.9	120.8	38
West Germany	40.2	52.5	57.6	60.5	65.2	71.0	77
Brazil	41.7	45.2	48.9	52.4	56.2	60.0	44
Italy	36.5	41.3	43.5	45.5	46.7	50.0	37
France	36.8	41.2	43.1	46.0	42.0	44.7	21
Indonesia	21.1	32.0	33.1	37.0	39.0	39.4	87
Mexico	25.7	34.9	35.7	35.6	37.2	39.0	52
India	21.0	26.2	28.9	29.9	32.2	38.4	83
Canada	20.2	27.0	30.2	32.4	33.8	34.3	70
Argentina	21.5	22.5	21.9	24.4	22.7	23.1	7
Spain	11.2	16.1	17.0	20.3	20.6	22.4	100
Philippine Republic	12.7	15.6	16.3	16.9	18.6	20.3	60
Australia	8.3	13.4	13.9	16.0	16.7	17.8	114
Colombia	11.9	12.6	14.2	13.6	14.9	15.0	26
The Netherlands	10.0	12.3	12.8	11.8	11.6	12.8	28
Belgium	8.9	9.5	10.5	10.9	10.7	11.2	26
Switzerland	7.7	8.7	9.0	9.6	9.8	10.9	42

THE EUROPEAN COMMON MARKET (EEC)

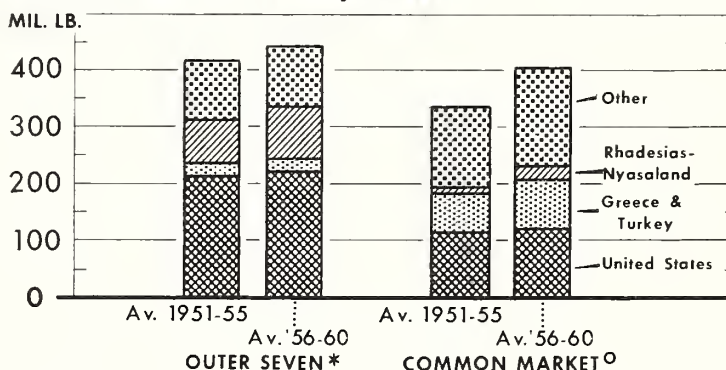
No previous development has raised so many questions on the international movement of tobacco as the formation of the European Common Market. The Common Market countries have been taking about one-fourth of the total U. S. tobacco exports.

The U. S. position in the Common Market tobacco import picture continues to deteriorate, as manufacturers there take into account the effect of the tariff structure on their costs. In 1960, the U. S. share of the Common Market tobacco import trade was down to 29 percent, compared with an average of 33 percent for 1953-57.

TABLE 5.—U. S. exports of tobacco to Common Market countries, by kinds, 1960

Kind	Belgium-Luxembourg	Netherlands	West Germany	France	Italy	Total
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Flue-cured	14,675	27,666	53,230	1,730	3,104	100,405
Burley	290	2,470	9,644	587	2,004	14,995
Dark-fired Kentucky-Tennessee	1,299	8,569	644	2,469	213	13,194
Virginia fire and sun-cured	6	69	480	6	52	613
Maryland	1,485	795	770	86	--	3,136
Green River	178	--	--	--	--	178
One Sucker	233	--	--	--	--	233
Perique	--	--	9	--	--	9
Cigar leaf	354	188	2,087	292	--	2,921
Stems, etc.	60	280	8	--	--	348
Total	18,580	40,037	66,872	5,170	5,373	136,032

Rise in Europe's Tobacco Imports Comes Mainly From U. S. Competitors



* CONSTITUTES COUNTRIES OF (EUROPEAN FREE TRADE ASSOCIATION) INCLUDING THE UNITED KINGDOM, AUSTRIA, NORWAY, DENMARK, SWEDEN, SWITZERLAND AND PORTUGAL.
 O (EUROPEAN ECONOMIC COMMUNITY) INCLUDES WEST GERMANY, FRANCE, ITALY, BELGIUM, NETHERLANDS, AND LUXEMBOURG.

The proposed import duty (effective by gradual steps), which would apply to nonmembers including the United States, is a 30-percent ad valorem rate with a minimum rate equivalent to 13.2 cents per pound and a maximum rate equivalent to 19.1 cents per pound. In terms of effective rates, all tobaccos valued at less than 44 cents per pound would pay the minimum rate of 13.2 cents per pound and all tobaccos valued at 64 cents and above per pound would pay the maximum duty of 19.1 cents. Tobaccos valued between 44 cents and 64 cents per pound would be assessed the 30-percent ad valorem rate. Tobaccos valued at \$1.27 or more per pound would be dutiable at 15 percent ad valorem, with a maximum duty ceiling of 31.8 cents per pound.

The original proposed duty of 30 percent ad valorem or the later version of a 30-percent duty with the 13.2 cents per pound minimum and the 19.1 cents per pound maximum will adversely affect U. S. tobacco, for it has a high value per pound and its main competitors in the Market export lower priced tobaccos. U. S. tobacco would be assessed about 19.1 cents per pound, as against an average of 12.8 cents, or 19 percent ad valorem, for all U. S. tobacco exports to common market countries in 1958. Competitors' tobacco mostly would be assessed 13.2 cents per pound. The effect of the possible 6-cent differential, in favor of most U. S. competitors cannot be appraised in detail until the rates have been negotiated and finalized; in general, however, the effect would be that the United States would have a decreasing share of an increasing market.

At the time this is written, U. S. representatives are participating in GATT negotiations in Geneva. One of the principal objectives of these meetings, as far as the United States is concerned,

is to ease the unfavorable effects that the present agreed Common Market tariff rate would have on U. S. and other external tobaccos, especially in the light of the agreed elimination of tariffs on tobacco produced in the Common Market and its Associated Territories.

U. S. unmanufactured tobacco also faces internal competition in the Common Market from member countries, particularly Italy; from tobacco exported to member countries by Greece as an associate member; and also from tobacco exported by Turkey if it becomes an associate member.

Not yet completely solved is the problem of what status the Overseas Territories of the Common Market members will have in the EEC.

The creation of the European Free Trade Association (EFTA) has also caused questions. Those relating to tobacco trade were temporarily pushed aside by many when the United Kingdom made its bid to join the Common Market.

It is too early to state that the United Kingdom will become a member of the Common Market and to say what the terms or conditions will be if it does become a member. Commonwealth tobacco producers -- principally Canada, India, and the Rhodesian-Nyasaland Federation -- are the main competitors with U. S. leaf in the United Kingdom, where they have a duty preference. If the United Kingdom is admitted to the Common Market and Commonwealth tobacco producers have any preference in the Common Market over third countries, such as the United States, then U. S. tobacco exports will suffer proportionately.

In addition to the possible effect of EEC, EFTA, and other "customs" or free-trade unions on U. S. trade, there are other barriers which may affect the levels of U. S. exports. Some of these barriers are the license and exchange requirements, guaranteed purchase agreements, bilateral agreements, and mixing requirements. Approximately 40 countries have raised their import duties on unmanufactured tobacco since 1957 and some of them have been raised so much or so high that the full effects have not yet been fully reflected.

BUILDING WORLD MARKETS

Credit for Dollar Customers

The Commodity Credit Corporation of the U. S. Department of Agriculture conducts an export credit sales program. It is designed to assist in the sale and exportation of tobacco pledged to CCC by permitting payment for the tobacco to be deferred for up to 3 years. This program is conducted through private trade channels which utilize leaf held by the tobacco grower cooperatives under the price support program.

From the beginning of the first program in March 1956 until October 1961, a total of \$5.1 million worth of tobacco has been approved for sale in this way.

To obtain export credit the U. S. tobacco exporter submits an application for credit arrangements to the Department of Agriculture, Washington 25, D. C. The interest rates applicable to credit arrangements are announced periodically by CCC.

Public Law 480

The Agricultural Trade Development and Assistance Act of 1954 or, as it is popularly known, Public Law 480 -- has been in effect since July 14, 1954. In the past legislative session Congress extended this program to December 31, 1964.

The purpose of Public Law 480 is to expand international trade among the United States and friendly nations of the world by the sale of surplus agricultural commodities through private trade channels in the various ways the Act provides.

Tobacco is now participating in Public Law 480 programs under Titles I and III, and it is eligible for Title IV if a program is developed. No tobacco has moved or is expected to move under Title II, "Famine Relief and Other Assistance."

TABLE 6.—Tobacco, unmanufactured: U.S. exports under Title I, Public Law 480,
by country of destination, year beginning July 1, 1954-55 through 1960-61/

Declared weight

Country of destination	1954-55		1955-56		1956-57		1957-58		1958-59		1959-60		1960-61		1954-55 through 1960-61	
	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars	Quantity : 1,000 pounds	Value : dollars
Austria.....	---	5,342	3,208	285	289	1,797	1,300	---	---	---	---	---	---	---	7,424	4,797
Brazil.....	---	121	243	---	---	---	---	127	304	---	64	161	---	---	312	708
Burma.....	---	---	---	1,088	784	1,287	863	116	91	455	324	647	177	3,593	2,539	---
Chile.....	---	---	---	324	250	---	---	---	---	---	---	726	893	---	1,050	1,143
China, Rep. of.....	---	---	---	2,006	1,722	---	---	1,994	1,743	2,868	2,424	2,090	1,830	8,958	7,719	---
Colombia 2/.....	---	---	---	---	---	70	88	436	481	237	213	535	473	1,278	1,255	---
Ecuador.....	---	193	162	66	48	161	119	---	---	---	---	---	---	420	329	---
Finland.....	---	3,863	2,213	5,818	3,282	2,018	987	5,673	2,899	4,075	2,273	4,315	2,443	25,762	14,097	---
France.....	---	870	650	3,094	1,400	4,493	2,487	4,079	2,999	1,473	1,263	3,348	2,220	17,357	11,019	---
Iceland 2/.....	---	---	---	---	---	488	429	563	432	521	445	545	416	2,117	1,722	---
India.....	---	---	---	---	---	3,333	3,208	2,720	2,697	503	444	1,974	1,946	8,530	8,295	---
Indonesia.....	---	1,034	681	18,080	10,467	4,964	3,406	---	---	239	165	2,361	1,797	26,678	16,516	---
Israel.....	81	550	343	---	---	216	152	253	197	---	---	271	199	1,371	943	---
Italy.....	---	4,179	3,199	7,124	6,054	594	458	9,777	7,570	3,768	3,089	---	---	25,442	20,370	---
Japan.....	---	6,630	5,111	3,161	2,716	---	---	---	---	---	---	---	---	---	9,791	7,827
Korea.....	---	6,069	4,604	2,417	2,125	---	---	---	---	---	---	---	---	---	8,486	6,729
Pakistan.....	598	496	1,851	3,330	2,795	---	---	---	---	---	---	---	---	7,418	6,379	---
Poland.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Spain 2/.....	---	3,641	2,186	4,993	3,987	6,419	5,301	4,403	3,533	6,913	5,325	4,326	3,376	30,695	23,708	---
Thailand.....	---	2,622	2,001	489	358	2,330	1,688	---	---	---	---	---	---	---	5,441	4,047
U.A.R. (Egypt).....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
United Kingdom.....	4,721	3,446	41,902	29,628	---	6,282	5,000	---	---	14,214	8,993	10,237	6,317	24,451	15,310	---
Uruguay.....	---	---	---	---	---	---	---	1,884	1,754	5,108	4,838	---	---	---	52,905	38,074
Vietnam.....	---	---	---	---	---	---	---	8,928	5,848	1,482	897	6,037	4,096	16,447	10,841	---
Total.....	5,400	3,994	78,867	55,756	52,275	36,277	34,452	40,953	30,548	41,920	30,854	40,944	29,544	294,811	212,459	---

1/ Preliminary. 2/ The value of the leaf content of tobacco products authorized to be sold to these countries was financed under Public Law 480.

Title I, Local Currency Sales.--Under Title I of Public Law 480 surplus agricultural commodities are sold to friendly foreign countries for their own currencies. Nevertheless, dollar sales are emphasized, because the law provides that purchases must be in addition to the participating country's normal purchases for dollars. Tobacco is sold under this program to provide for increased usings of U. S. leaf or an increase in the stock level which would not have been possible in the absence of this type of sale.

Between the inception of Public Law 480 in 1954 and June 30, 1961, sales agreements under Title I have provided for approximately \$232 million worth, or about 316 million pounds, of U. S. tobacco. This total includes sales through 71 agreements with 24 different countries. Exports under this title have ranged between 7 and 9 percent of the total tobacco export volume in the past 4 fiscal years.

Congress has authorized the extension of this title to provide for \$4.5 billion of additional funds to operate it until December 31, 1964.

Title III, Barter.--The USDA barter export program has become an increasingly important method of expanding sales of U.S. tobacco abroad. Under the authority of several legislative acts, including Title III of Public Law 480, the Commodity Credit Corporation's surplus agricultural commodities are bartered for strategic materials. This program is operated through private trade channels. The tobacco to be shipped by the U. S. dealer, however, must be acquired from or replaced by CCC stocks held by the grower cooperative associations which have pledged the tobacco to CCC under the price support program. Thus this program is designed to dispose of surplus commodities while building up the country's strategic materials stockpile.

In fiscal year 1961 approximately \$27.2 million worth of tobacco moved to foreign customers under the barter program. This compares with only \$19.6 and \$1.0 million in fiscal years 1960 and 1959, respectively.

In an effort to improve the USDA barter program, a task force was selected from various business firms and agricultural groups familiar with the program to make suggestions for improvement and expansion. As a result of these discussions, a revised barter program may take effect in the near future. Larger amounts of tobacco may move under the program in the period ahead.

Title IV, Longterm Supply Contracts.--Title IV of Public Law 480 provides for the sale of surplus agricultural commodities to friendly nations under longterm credit arrangements. The commodity is to be delivered annually for periods not to exceed 10 years. Payment for the commodity is to be made in dollars at a reasonable interest rate over a period of time not to exceed 20 years.

Tobacco has not yet participated in this phase of Public Law 480. It is, however, a commodity which can be considered for this type of arrangement.

Market Development Activities

To date, about 40 tobacco market development projects have been carried out in 15 different countries, using foreign currency derived from sales under Title I of Public Law 480. The encouraging results of this program point out the effectiveness of a concerted effort by the government and U. S. tobacco trade.

In Japan, where a tobacco promotion project has been in operation since early 1956, the consumption of U. S. tobacco has increased from 7.5 million pounds to a predicted high of 15 million pounds in 1961-62. Japanese Tobacco Monopoly officials have credited the promotion project with about 50 percent of the increase, though the rapid development of Japan's economy has been equally responsible. A similar program was launched in Thailand in the first half of 1958. The use of U. S. leaf there in cigarettes rose from 8.5 million pounds in 1958 to a record high of 10.1 million pounds in 1960.

Also effective have been visits of foreign tobacco officials to the United States. These provide an opportunity for the officials to become familiar with all aspects of the U. S. tobacco export



Above, Burmese tobacco shop promotes local cigarette brands that contain U.S. tobacco. So does the shop in Japan, pictured at the right. This type of advertising is part of the market development promotion project being conducted jointly by the U.S. tobacco trade, the USDA, and cigarette manufacturers, not only in Burma and Japan but in France and Thailand as well.



At left, two Egyptian tobacco officials (center) and USDA marketing specialist (at right) inspect samples of tobacco at a U.S. processing plant. Such studies of U.S. products are made as part of market development efforts.

industry at first hand. They also provide a means of personal contact in which the U. S. tobacco exporter can develop closer relations with a potential customer. As a result of these projects, new brands have been introduced in several countries when a participating official has returned from a visit to the tobacco areas of the United States.

A task force composed of government and industry representatives has submitted a report on improving market development activities to the Secretary of Agriculture. This report emphasized the need for a continued effort to develop markets for U.S. agricultural products. It was proposed that the market development projects be strengthened and expanded in the coming years. Tobacco can be expected to continue playing an important role in the market development program.

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Official Business

Recent Publications

Swedes Continue to Prefer U. S. Tobacco. FT 1-61, January 1961. A 9-page summary of the current situation in the Swedish tobacco industry.

Finland: A Growing Market for Imported Tobacco. FT 2-61, January 1961. A 6-page summary of the Finnish tobacco situation, including trade and consumption.

U. S. Tobacco Exports Up in 1960. FT 6-61, March 1961. A 14-page summary statement, with statistics, listing data on U. S. tobacco exports for 1959 and 1960.

World Tobacco Exports Up Sharply In 1960. FT 11-61, May 1961. A 6-page summary of the tobacco import and export trade of freeworld countries in 1960, with comparisons.

Japan: Growing Market for U. S. Tobacco. FT 13-61, June 1961. A 9-page summary of the current situation in the Japanese tobacco industry, with emphasis on prospects for U. S. tobacco in Japan.

Changes in Import Duties in Free World Countries -- 1957-1960. FAS M-116, July 1961. An 82-page summary of levels of tariffs in individual Free World countries in 1960, as compared with 1957.

About 316 Million Pounds of Tobacco Programmed Under Title I, P.L. 480. FT 18-61, September 1961. An 11-page summary of tobacco sales under Title I of P.L. 480 through June 30, 1961.

Thailand: Growing Market for U. S. Tobacco. FT 19-61, October 1961. A 6-page summary of the current situation in the Thai tobacco industry.

The Canadian Tobacco Situation. FT 20-61, November 1961. A 4-page summary of developments in the Canadian tobacco industry.

World Tobacco Production. FT 21-61, December 1961. A 14-page summary of world tobacco production, by kinds, and producing countries, for 1961, with comparisons.

(These publications are available upon request to the Information Division, Foreign Agricultural Service.)